

STATE CAPITOL  
ROOM 205  
SACRAMENTO, CA 95814  
TEL (916) 651-4024  
FAX (916) 651-4924

DISTRICT OFFICE  
1808 W. SUNSET BLVD.  
LOS ANGELES, CA 90026  
TEL (213) 483-9300  
FAX (213) 483-9305



STANDING COMMITTEE  
SENATE RULES  
CHAIR

## SENATOR KEVIN DE LEÓN

### PRESIDENT PRO TEMPORE

#### **SB 588 (De León)** **Wage Theft Prevention**

**PURPOSE:** The basic promise of our labor laws – a fair day’s pay for an honest day’s work – is not being kept in California, despite the fact that we have good laws on the books. SB 588 goes after the bad actors who are responsible for millions of dollars of wage theft violations each year and holds individuals responsible and accountable.

#### **BACKGROUND:**

**Workers across California and across industries experience wage theft, which is the illegal practice of not paying workers for all of their work. This includes violating minimum wage laws, not paying overtime, forcing workers to work off the clock, denying meal and rest breaks, illegal deductions and more.**

A December 2014 report from the United States Department of Labor (DOL) found that more than 300,000 minimum wage violations occur in California each week. The DOL reported the cost of wage theft violations alone to be between \$22.5 and \$28.7 million weekly. This constitutes between \$1.2 and \$1.5 billion in minimum wage violations annually in California.

A report by the Institute for Research on Labor and Employment at the University of California, Los Angeles showed that wage theft in Los Angeles County alone costs low-wage workers \$26.2 million per week. This report also took into account multiple types of wage violation and indicated that there were over 650,000 violations per week in Los Angeles County.

In addition to data on the prevalence of wage theft, there has also been information reported on California’s collection efforts. The UCLA Labor Center and National Employment Law Project (NELP) reported that only 17 percent of workers who win a final judgment for unpaid wages at California’s Division of Labor Standards Enforcement ever collects a payment.

### **Wage theft creates poverty.**

Wage theft keeps workers in poverty and increases inequality. While wage theft affects all low-wage workers, immigrant and women workers are most likely to be exploited. Fully one-half of Latina immigrants make less than minimum wage. (UCLA Labor Center, 2010). If you factor in wage theft, millions of Californians are working below the minimum wage.

Wage theft doesn't just hurt workers and their families: it puts honest businesses at risk by creating an uneven playing field. This drives working conditions down for every worker due to unfair competition.

### **California's labor laws are strong, but the Labor Commissioner – who is charged with enforcing California's labor laws - does not have all the tools needed to collect stolen wages.**

In fact, according to a 2013 study by the National Employment Law Project and the UCLA Labor Center, it is difficult and rare for workers in California to recover stolen wages. Even if a worker wins their case before the California Division of Labor Standards Enforcement (DLSE) and received a judgment, only 17% were able to collect any payment. Many of the businesses that are the worst violators of our labor laws simply roll up their operations and close shop when workers try to hold them accountable, thus avoiding any responsibility for their exploitative employment practices. In fact, in over 60% of the cases where DLSE found an employer owed wages, the employer was listed as non-active, i.e., defunct.

Enforcement is made more difficult because so much of the low-wage sector is now structured using layers of contractors and subcontractors, allowing the actual employers of record and beneficiaries of the work provided able to avoid legal responsibility.

These employers who cheat their workers out of their hard-earned wages are essentially thieves. But due to systematic schemes designed to skirt existing laws, these “bad actor” employers are allowed to get away with it.

### **PROPOSAL:**

SB 588 gives the Labor Commissioner additional tools to collect from employers who have exhausted all appeals for their non-payment of wages and have final judgments owed. It requires a business that has an outstanding unpaid judgment against them to purchase a wage bond of \$150,000. If it fails to do that, the employer can be subject to a stop work order and a lien at the Labor Commissioner's discretion.

SB 588 also gives the Labor Commissioner the authority to hold individual business owners accountable for their debts to workers. By applying an existing enforcement law to wage claims, responsible individuals can be issued citations personally. This will discourage business owners from rolling up their operations and walking away from their debts to workers and starting a new company.

SB 588 updates and improves collection methods by giving the Labor Commissioner greater flexibility in choosing how to secure the assets needed to pay the wages a business owes.

In addition SB 588 targets two high-risk sectors – property services and long-term care – by establishing procedures to ensure parties are held individually responsible to ensure that employers can't evade the law through contracting and subcontracting arrangements.

**SUPPORT:**

SEIU California (Co-sponsor)  
Koreatown Immigrant Workers Alliance (Co-sponsor)  
Wage Justice Center (Co-Sponsor)  
The Alliance of Californians for Community Empowerment Action  
California Professional Firefighters  
Restaurant Opportunities Center of Los Angeles

*For more information, contact Charles Wright at (916) 651-4170  
[charles.wright@sen.ca.gov](mailto:charles.wright@sen.ca.gov)*